

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 COME-00 OPIC-03

INR-07 INT-05 NSA-01 CIAE-00 L-03 H-02 XMB-02 /075 W

----- 106058

R 241941Z SEP 75

FM AMEMBASSY LIMA

TO SECSTATE WASHDC 6944

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EO 11652: NA

TAGS: EINV, EMIN, PFOR, PE

SUBJ: MARCONA - MARCONA OFFICIALS TO MEET WITH GOP
CABINET MINISTERS

REF: LIMA 7846

1. MARCONA OFFICIALS FURTH AN COMPTON CALLED ON AMBASSADOR SEPTEMBER 24. COMPTON HAD PREVIOUSLY ASKED AMBASSADOR'S HELP IN ARRANGING A MEETING WITH PRIME MINISTER VARGAS PRIETO, WHICH AMBASSADOR AGREED TO DO. WHILE THEY WERE PRESENT, PRIME MINISTER TELEPHONED TO INFORM AMBASSADOR THAT HE HAD ARRANGED MEETING FOR THEM THAT EVENING IN HIS OFFICE WITH HIMSELF, MINES MINISTER LA VERA, FINANCE MINISTER BARUA, AND COMMERCE MINISTER ARIAS. MARCONA OFFICIALS SAID THEY REGARDED THIS AS EXCELLENT OPPORTUNITY AND WILL ATTEND MEETING WITH INTENTION OF BEING AS CONSTRUCTIVE AS POSSIBLE.

2. COMPTON REPORTED THAT HENRY EAST HAD MET WITH PERUVIAN COMMISSION MEMBER CESAR DELGADO WHO TOLD HIM THAT HE HAD ORIGINALLY THOUGHT THERE MIGHT BE A WAY AROUND THE EXPROPRIATING DECREE LAW IN GENERAL AND ARTICLE 8 IN PARTICULAR, BUT NOW REALIZED THERE

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IS NOT. HE ALSO SAID THAT IT HAD BEEN HIS IDEA TO

RECRUIT ALBERTO RUIZ ELDREDGE TO CHAIR COMMISSION IN BELIEF THAT WITH HIS IMPECCABLE LEFTIST CREDENTIALS, ANY AGREEMENT NEGOTIATED BY HIM WOULD BE LESS SUBJECT TO CRITICISM. DELGADO NOW BELIEVES THAT NEGOTIATIONS ON GOVERNMENT LEVEL ARE NOW ONLY REMAINING POSSIBILITY. EAST COMMENTED ON INCONGRUITY OF HIERROPERU MISSION TO JAPAN WHILE NEGOTIATIONS WITH MARCONA WRE IN PROGRESS. DELGADO SAID HE UNDERSTOOD AND THAT HE HAD KNOWN MISSION WOULD BE A FAILURE; HOWEVER, MISSION WAS IDEA OF HIERROPERU PRESIDENT BOSSIO AND DELGADO AND OTHERS BELIEVED THEY HAD TO LET IT PROCEED OR BOSSIO WOULD CRITICIZE THEM FOR REFUSAL TO PERMIT HIM TO EXPLORE ALL AVAILABLE POSSIBILITIES. DELGADO SUGGESTED THAT MARCONA OFFICIALS MEET INFORMALLY WITH SELECTED MEMBERS OF COMMISSION IN EFFORT TO POOL IDEAS TO TRY FIND WAY OUT.

3. EMBOFF INFORMED MARCONA OFFICIALS OF HIS CONVERSATION PREVIOUS DAY WITH DIRECTOR SUPERIOR OF PLANNING INSTITUTE, OTONIEL VELASCO. (VELASCO WAS LEADING MEMBER OF COMMISSION NEGOTIATING WITH MARCONA PRIOR TO EXPROPRIATION.) VELASCO HAD SAID THAT HE TOO BELIEVED THAT NEGOTIATIONS AT GOVERNMENT LEVEL WERE NOW NECESSARY. HOWEVER, HE ADDED, HE THOUGHT LARGE COMPENSATION PAYMENT ALSO OUT OF QUESTION SINCE THIS COULD BE EQUALLY EMBARRASSING TO GOP; BESIDES, IT CANNOT BE FORGOTTEN THAT MARCONA OWES HUGE DEBTS TO GOVERNMENT. HE THOUGHT BEST SOLUTION WOULD BE TO PROVIDE FOR COMPENSATION THROUGH DEVICE SUCH AS EXTRA CHARGE ON FREIGHT, WHERE IT COULD BE HIDDEN. EMBOFF EXPLAINED MARCONA'S RELUCTANCE TO ACCEPT SUCH SOLUTION BECAUSE OF ITS QUESTIONABLE NATURE. HOWEVER, HE EMPHASIZED THAT MARCONA REALIZES DELICATE POSITION OF GOP AND IS ANXIOUS TO EXPLORE IMAGINATIVE ALTERNATIVE SOLUTIONS. VELASCO THEN SUGGESTED THAT PERHAPS GOP MIGHT BUY MARCONA'S SHIPS AND THAT COMPENSATION COULD BE HIDDEN IN PRICE.

4. WHEN TOLD OF VELASCO'S SUGGESTION, FURTH SAID MARCONA WOULD BE WILLING TO EXPLORE SUCH A POSSIBILITY, ALTHOUGH IT WOULD PROBABLY NOT BE IN BEST INTEREST OF PERU. PERUVIAN SHIPPING COMPANY, CPV, IS TURNING A PROFIT TRANSPORTING LIMITED OFFICIAL USE

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COPPER, LEAD AND ZINC CONCENTRATES AND FISH MEAL. IT IS NOT VERY INTERESTED IN GETTING INTO IRON-ORE TRANSPORT WHERE MARGINS ARE THINNER, AND HENCE THERE IS SOME QUESTION WHETHER CPV WOULD BE WILLING, IN EFFECT, TO HOLD THE BAG. FURTH SAID HE CONTINUED TO BELIEVE THAT BEST ROUTE LAY THROUGH COMPENSATION IN KIND. FINANCING SHOULD BE READILY AVAILABLE SINCE IT IS STANDARD PRACTICE FOR BANKS TO NEGOTIATE LOANS ON BASIS OF FUTURE PRODUCT DELIVERY.

5. COMMENT: WE ARE ENCOURAGED BY WILLINGNESS OF PRIME MINISTER TO ARRANGE MEETING AND BY MARCONA'S INTENTION TO ATTEND IN SPIRIT OF COOPERATION IN THE SEARCH FOR A PALATABLE SOLUTION. HOWEVER, CONTINUING EVIDENCE THAT GOP IS HAMSTRUNG BY CONCERN WITH WHAT IT PERCEIVES AS NEED TO APPEASE THE LEFT IS CONSIDERABLY LESS ENCOURAGING.

DEAN

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: NATIONALIZATION, MINING INDUSTRY, MEETING REPORTS
Control Number: n/a
Copy: SINGLE
Draft Date: 24 SEP 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975LIMA07925
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750332-0103
From: LIMA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750922/aaaaatks.tel
Line Count: 124
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 LIMA 7846
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 12 SEP 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <12 SEP 2003 by CunninFX>; APPROVED <20 OCT 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: MARCONA - MARCONA OFFICIALS TO MEET WITH GOP CABINET MINISTERS
TAGS: EINV, EMIN, PFOR, PE, MARCONA, (FURTH), (COMPTON)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006